

THE FINANCIAL EDGE

February 2022



LOVE THE SEASON!

Personal comments by Mary

This is my 35th tax season! Oh boy has it been a ride. For those who don't know tax season is one year of work compacted into three months.

♥ In 1981, my very first one, it hit me broadside. I never expected it. I had no idea what I got myself into. With the intense paperwork my eyesight got much worse! I got out to save my health and my sanity.

♥ In 1987 I was an internal auditor during the day and helping to start an accounting firm at night. Something had to give. I dropped my day job and went back to public accounting.

♥ In 1989 I became a mom, so I left again.

♥ In 2003 after my divorce and some heavy-duty mental health help, I went back to public accounting. I started my own firm, on my terms. I loved the work, just not the culture.

♥ I eventually merged with a national accounting firm, but again on my terms. A got a solid paycheck putting in part time hours (40 hours each week) during January thru April.

♥ In 2004, when the boys started high school, I went back on my own again. I started, Focus CPA.

Today I start the season with a team of 5. As I was driving home from work the other night, I had such a sense of excitement. The moon was full and glowing as it peaked out from the clouds. I hit the gas pedal on my car and felt the power of being in control.

This is the very first time I can recall looking forward to a tax season with a smile on my face. The goal was always to just endure. With the last two years of chaos due to the COVID frenzy, a normal tax season doesn't look so bad. With a change of attitude and search for passion - my goal is to LOVE this tax season!

Happy Valentines Month!

Mary Guldán-Lindstrom



"You guys Rock! Thanks for helping us get started with our new month end reporting system. You made it very easy for our staff to get going with it. Then when we lost our bookkeeper with no notice - you and your staff jumped right in and made sure we had what we needed to keep moving forward. Thanks for all your help."

Rich Rothmund, President
*TA Motorsports
Premier Arctic Cat, Suzuki, and
Yamaha go-to source!*

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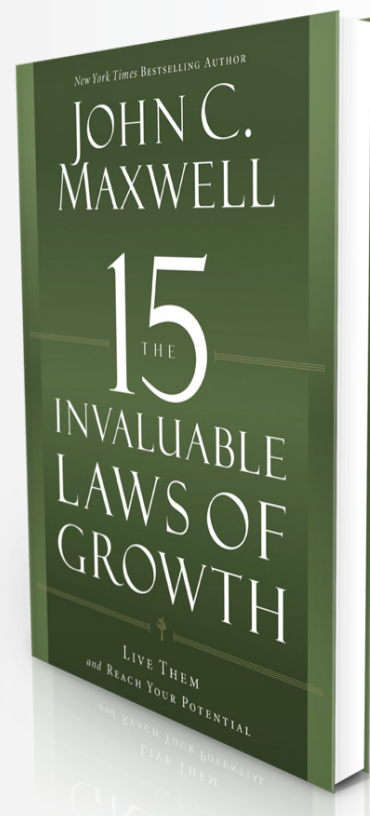
THE BOOK REVIEW

TITLE: 15 Invaluable Laws of Growth
AUTHOR: John Maxwell
TOPIC: Self Help
EASY TO READ: \$\$\$\$\$ (5 out of 5 dollars)
APPLICABLE TO SMALL BUSINESS: \$\$\$\$\$ (5 out of 5 dollars)

Summary: John Maxwell, explains 15 laws of personal growth, based on his experience and knowledge. Sprinkled with personal stories and great explanations of the 15 laws as he sees them.

My recommendation: The book was definitely invaluable to me. Most of the laws I was well aware of. Some will help me push to the next step.

Pages: 260 | Published: 2004



IRS TAX ISSUES FOR SMALL BUSINESS OWNERS WHAT TO WATCH FOR

By Mary Guldán-Lindström CPA

There's no sure way to avoid an IRS audit however these are areas that the IRS has been pursuing and some tax payers ignore.

FAILING TO REPORT ALL TAXABLE INCOME: The IRS matches all those 1099s and W-2's to taxes filed. This includes credit card payments. A mismatch sends up a red flag and causes the IRS computers to spit out a bill.

RENTAL LOSSES: Watch the passive loss and real estate professional tax rules. Easy to miss. In addition the new 3.8% Medicare surcharge came into play in 2013.

BUSINESS VEHICLE: They are looking for written document for the business usage.

EMPLOYEE VS INDEPENDENT CONTRACTOR: They are looking for the payroll taxes. The IRS prefers everyone to be an employee.

S-CORPORATION OWNER COMPENSATION: Again they are looking for the payroll taxes. Wages need to be reasonable.

HOBBY LOSS RULES: You must report any income you earn from a hobby, and you can deduct expenses up to the level of that income. But the law bans writing off losses from a hobby.

FAILING TO REPORT A FOREIGN BANK ACCOUNT: They are looking for money stashed outside the U.S.

The risk of audit should not keep you from taking legitimate deductions. If you have it and can prove it, then use it. There's no reason to ever pay more tax than you actually owe.



CASH MANAGEMENT FOR A START UP - WORKING TO STABILIZE

By Mary Guldán-Lindstrom CPA

As a person moves from living on a paycheck to starting a business the cash management changes. This is one of the most stressful times a business owner encounters. Many live hand to mouth. For most once the money comes in you spend it on what is needed immediately for business or for personal needs. To survive past this initial state a system can help build a solid financial foundation.

HERE ARE THE BASIC STEPS I USED TO GET STARTED:

1 Determine how much you need to live each month. Plan on taking that amount out of the business monthly or weekly. Pay yourself first. How much will it take for you to get by? You need to survive through this and eventually the business needs to be worth your time.

2 Determine how much you need in sales each month to cover your paycheck and operate business. This is considered your break even or the technical term “your nut to crack”. This takes a little more work to calculate. It will be unique for your business. You need to know a few pieces of information

- ♥ What is your monthly overhead? How much cash does it take to open and keep the doors open each month? This includes rent, telephone, insurance, software costs, etc. and your pay. The lower the amount, the less sales you need.
- ♥ How much of your sales goes to overhead? For example, if you sell a service 100% may go to cover, but if you have to hire contractors to get the work done or sell products maybe only 50% goes to your overhead. This is called gross margin or gross profit.
- ♥ Next, it's math. $\text{Overhead } \$ \div \text{gross margin } \% = \text{break even sales}$. If your overhead is \$5000 per month and you keep 80% of your sales, you need \$6250 in monthly sales to cover your overhead.

3 Now that you know your sales goal it is time to brainstorm on how to meet and exceed it. Here's some ideas.

- ♥ Focus on your ideal customer and service. Do what you do best. This will bring the fastest results and keep your energy flowing. Anything else will sap your energy and cost you money to meet their needs.
- ♥ Develop reoccurring sales. How can you provide value on a continuous basis? Sell them a Keurig, then sell them k cups. Sell them a product then sell them a warranty.
- ♥ Sell addons and upsells. Increase the sales ticket. Find other items your ideal client base will value.

4 Document and refine your systems to keep creating great results. For me creating a sales system has saved me lots of time and has resulted in a consistent 20% growth over the last few years.

5 Set weekly benchmarks and measure your success. Financial statements are great but it's old news. Determine what actions have to take place each week to meet your sales goal.

I personal have found this to be the first step to moving to financial stability. Once you crack your nut, the same steps will increase your financial results.

SPECIAL OFFER

WOULD YOU LIKE A FREE KRINGLE FROM UNCLE MIKE'S BAKERY SHOPPE?

Just encourage a small business owner to set up a free discovery meeting with Mary at Focus CPA Inc. and we will send you a gift card for a free award winning and mouthwatering Kringle of your choice.

A referral is the best compliment that we can receive.

P.S. We are taking a very limited # of new clients until May 2022. I want to make sure our current clients get the service that they need!

February 2022 INSIDE THIS ISSUE

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WORDS YOU THOUGHT YOU UNDERSTAND

ARBITRAITOR - A cook that leaves Arby's to work at McDonald's.

BERNADETTE - The act of torching a mortgage.

BURGLARIZE - What a crook sees through.

AVOIDABLE - What a bullfighter tries to do.

COUNTERFEITER - Workers who put together kitchen cabinets.

LEFT BANK - What the bank robbers did when their bag was full of money.

HEROES - What a man in a boat does.

PARASITES - What you see from the Eiffel Tower.

PARADOX - Two physicians.

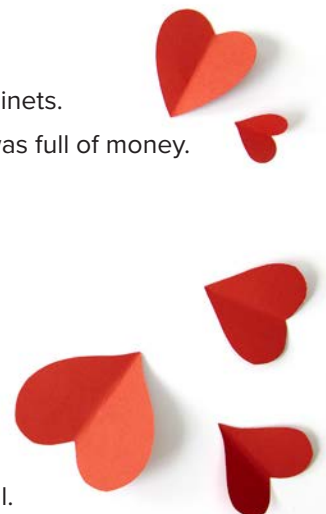
PHARMACIST - A helper on a farm.

RELIEF - What trees do in the spring.

RUBBERNECK - What you do to relax your wife.

SELFISH - What the owner of a seafood store does.

SUDAFED - Brought litigation against a government official.



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of small business owners"* **FOCUS** | **CPA** Inc